



STATE OF TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION BENEFITS ADMINISTRATION

2600 William R. Snodgrass Tennessee Tower 312 Rosa L. Parks Avenue Nashville, TN 37243

Laurie Lee EXECUTIVE DIRECTOR

Dave Goetz COMMISSIONER

June 30, 2008

Ladies and Gentlemen:

We are pleased to submit the 2007 Annual Program and Financial Report for Benefits Administration. This unit of the Department of Finance and Administration manages insurance benefits for more than 139,000 employees and 21,000 Medicare eligible retirees from public sector organizations in Tennessee. At the end of 2007, the state-sponsored plans provided health insurance coverage to more than 300,000 individuals.

The data presented here demonstrate trends from program, statistical and financial standpoints. The financial statements reflect the fiscal year ended June 30, 2007.

While the state group insurance program sponsors the coverages and programs reviewed in this report, we work in partnership with 13 contractors and a number of other state agencies to deliver services to program participants. The results reported here reflect their contributions, as well.

Sincerely,

Laurie Lee, Executive Director

Spine J. Fre

M. D. Goetz Vr., Commissioner



Cover Photo | Big South Fork National River and Recreation Area

Photo Credit | Dennis Minton

INTRODUCTION PAGE ONE

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DEFINITIONS

Allowed Amount: The amount of submitted charges eligible for payment for all claims. It is the amount eligible after applying pricing guidelines, but before deducting third party, copayment, coinsurance or deductible amounts. Ultimately, it is the amount of payment that a provider of services will receive between the member (via copayments, coinsurance, etc.) and the plan.

Health Maintenance Organization (HMO): A health plan which provides comprehensive medical services to its members for a fixed copayment. Members are required to use participating providers; otherwise, benefits for services rendered typically are not covered.

Net Payment: The net amount paid for all claims. It represents the amount after all pricing guidelines have been applied, and all third party, copayment, coinsurance, and deductible amounts have been subtracted. In the end, this is what the plan pays to the provider of services after the member has paid any required out-of-pocket amounts.

Point of Service (POS): A type of insurance in which a member receives the maximum benefits when they see in-plan providers, but can also see an out-of-plan provider and still receive partial coverage of the costs.

Preferred Provider Organization (PPO): A type of insurance in which the managed care company pays a higher percentage of the costs when a preferred (in-plan) provider is used.



Tennessee Department of Finance and Administration. Authorization Number 317238, 1,000 copies, June 2008. This public document was promulgated at a cost of \$2.21 per copy.

OVERVIEW

Benefits Administration operates within the State of Tennessee's Department of Finance and Administration. A committed staff administers health, dental, life and long-term care insurance coverages for more than 300,000 public sector employees, retirees and their eligible dependents.

In addition to insurance coverages, the division also administers an employee assistance program and a state employee wellness program. These related programs complement insurance programs by educating employees and their families about prevention and behaviors that can affect their mental and physical health.

State group insurance program participants include state government and higher education employees, as well as employees of local school systems and local government agencies who elect to participate in one of the state-sponsored plans. Various quasi-governmental and nonprofit agencies receiving state support may also elect to participate in the local government plan.

The preferred provider organization (PPO) is available statewide. In 2007, this option was administered by BlueCross BlueShield of Tennessee.

Enrollment Highlights	
Total Group Health Lives	274,817
Employees:	
State PPO	27,436
State POSs	25,086
State HMOs	23,974
Local Education PPO	23,118
Local Education POSs	23,299
Local Education HMOs	7,740
Local Government PPO	3,560
Local Government POSs	6,083
Local Government HMOs	2,642
Local Government PPO Limited	1,035
Total Employee Group Health	143,973
Optional Dental Coverage	50,169
Optional Life Insurance Products	69,369
Optional Long-Term Care Coverage	2,515
Retiree Medicare Supplement	25,268

A point of service (POS) option is also available statewide. POS offerings in 2007 were administered by Cigna Healthcare in all service areas.



Health maintenance organizations (HMOs) are offered in 72 of Tennessee's 95 counties. HMO offerings in 2007 were: Cigna Healthcare Memphis, Cigna Healthcare Nashville, United Healthcare Chattanooga, United Healthcare Knoxville and United Healthcare Tri-Cities.



In addition to health insurance, participants in all three plans may enroll in optional dental coverage choosing either the preferred provider plan administered by Delta Dental of Tennessee or the prepaid plan administered by Assurant Employee Benefits.

Medicare supplement coverage is available to Medicare eligible retirees who participate in the TN Consolidated Retirement System and certain state and local education plan members who participate in an optional retirement plan. Coverage is administered by the POMCO Group.

State employees are provided basic term life and accidental death and dismemberment coverage through Fort Dearborn Life while the optional term and universal life coverages are underwritten by Unum Group.

Long-term care insurance is available to state employees, retirees and eligible family members through MedAmerica Insurance Company.

GOVERNANCE

The authorization for providing group insurance benefits for public officers, state, local education and local government employees and retirees is found in Chapter 27 of Title 8, Tennessee Code Annotated.

The benefit plans authorized by this legislation are governed separately by three committees identified as the State, Local Education and Local Government Insurance Committees. Each of these committees represents the interests of the employer(s) and their employees and retirees in financially separate benefit plans.

The responsibilities of each committee can be summarized under four broad areas:

- 1) To establish the benefit plans offered.
- 2) To approve premiums necessary to fund plan operations.
- To provide for the administration of certain plan functions through the selection of contractors and monitoring of vendor performance.
- 4) To establish and review policy related to eligibility, benefits and appeals.

Committee Members

M. D. Goetz Jr., Chairman — S, E, G

Commissioner, Department of Finance and Administration

John G. Morgan — S, E, G

Comptroller of the Treasury

Dale Sims - S, E, G

State Treasurer

Leslie Newman — S, E

Commissioner, Department of Commerce and Insurance

Deborah Story - S

Commissioner, Department of Human Resources

 $\mathbf{Tim}\;\mathbf{Poole} - \mathbb{S}$

Employee Representative

Tom Spillman — S

Employee Representative

Charles Peccolo — S

Higher Education Representative

Jim Tucker — S

Tennessee State Employee Association

Wesley Robertson — E

Designee, Department of Education

Donna Barber — E

Middle Tennessee Teacher Representative

Clark Justis — E

East Tennessee Teacher Representative

Cindy Lumpkin — E

West Tennessee Teacher Representative

Phillip White — E

Tennessee School Boards Association

Tommy Pedigo — G

Tennessee Municipal League

Bob Wormsley — G

Tennessee County Services Association

S — State Insurance Committee

E — Local Education Insurance Committee

G — Local Government Insurance Committee

CONTRACT PARTNERS

The division works in partnership with the following entities in the administration of insurance benefits and related administrative functions:

BlueCross BlueShield of Tennessee

Providing for administration of healthcare coverage for plan members in the preferred provider organization (PPO) and highrisk PPO limited programs.

Cigna Healthcare

Providing for administration of healthcare coverage for plan members in the point of service (POS) in all service areas and the health maintenance organization (HMO) in Memphis and Nashville.

United Healthcare

Providing for administration of healthcare coverage for plan members in the health maintenance organization (HMO) east.

Pomco Group

Providing for administration of retiree Medicare supplement coverage.

Fort Dearborn Life Insurance Company

Providing basic term and accidental death and dismemberment insurance for state plan members enrolled in a healthcare option and medical underwriting services for those applying for coverage as late applicants.

Unum Group

Providing optional term and universal life insurance to state plan members who choose to enroll in this coverage.

Assurant Employee Benefits

Providing optional prepaid dental insurance to participating plan members statewide.

Delta Dental of Tennessee

Providing optional preferred provider dental insurance to participating plan members statewide.

Magellan Health Services

Providing employee assistance program (EAP) services and administration of mental health and substance abuse coverage for plan members.

MedAmerica Insurance Company

Providing long-term care coverage to state plan members and their eligible family members who choose to enroll in this coverage.

Harris Health Trends

Providing support for wellness program services for central state plan members enrolled in a healthcare option.

Thomson Reuters

Providing analytical services to assess healthcare utilization and claims-based costs for our population.

Buck Consultants

Providing benefits and administrative consultant services to the division.

LOOKING BACK

Due to the expanded duties of the division, we changed our organization's name to Benefits Administration. With the addition of the Cover Tennessee insurance programs and the upcoming responsibility for flexible benefits and deferred compensation enrollments as a part of Edison implementation in 2008, we believe this change more clearly reflects our business functions.

The division also saw a change in leadership during the year as Executive Director Richard Chapman retired from state service and Laurie Lee was promoted to this position.

In order to better serve the needs of our customers, we established a centralized service center and offered expanded hours. The new I3 telephone system offers callers the option to leave a voice message and has a frequently asked questions feature for those calling after business hours. We added several new staff positions to manage the increase in volume of incoming calls.

The division has been attempting over the past several years to spend down the Medicare supplement fund balance and return these funds to plan participants. Consequently, the 2007 premium was reduced by \$20 per month per member to return funds to participating retirees.

The division initiated and completed a competitive procurement through the state's request for proposals (RFP) process which resulted in a change from Buck Consultants to Aon Consulting as the division's benefits consultant. These consultant services provide the division with additional expertise in some of the more specialized and complex areas of benefits administration.

The division continues to expand the information provided on our web site to allow participants ease of access to information, forms and publications. Over 383,000 publications and forms were downloaded from the site during the year.

The appeals process established by the Insurance Committees received 162 requests for a benefits review; 133 were resolved by the division appeals coordinator without the need for a formal written appeal. Of the 29 cases reviewed by the Staff Appeals Committee, 17 were approved and 12 were denied.

A total of 1,072 individuals applied for coverage through the medical underwriting or proof of insurability process. Of those, 856 were approved and authorized to enroll in coverage.

During 2007, 51 agencies interested in joining the local government and local education plans requested premium quotes. Of those, 18 agencies joined the local government plan and 1 joined the local education plan.

The division has an eligibility review process to address certain administrative issues. The eligibility team reviewed 27 cases. Of these, 20 were approved and 7 denied.

The Employee Assistance Program held its 15th annual March EAP Awareness Month with increased participation from employees. All segments of the employee plan groups participated — State, Local Education and Local Government. This has proven to be a very effective way to promote the services provided by the EAP.

The Employee Assistance Program's initiation of telephonic anonymous self-screening for depression and alcohol use as well as online self-tests offered are being utilized successfully by employees.

LOOKING AHEAD

The contract for optional life insurance products will expire in 2008. This contract will either be extended under the renewal option or the services will be continued as a result of a competitive procurement process.

The state will continue to participate in the implementation of the state's Edison project, which represents a significant opportunity to upgrade the division's 15 year old eligibility, enrollment and premium collection software. The division has worked closely with Edison staff in the design and functionality of the insurance module. Edison was initially scheduled to "go live" on January 1, 2008; however, that date was extended until October 1, 2008.

As part of the transition to the new Edison system, the responsibility for entering enrollments for state employees in flexible reimbursement accounts and deferred compensation will become the responsibility of our office.

At the recommendation of the Audit Committee and Internal Audit, and contingent upon approval of the Insurance Committees, the division will conduct a dependent eligibility audit to ensure that only those persons eligible for coverage through the state are on the plan.

During the second half of 2008 and into 2009, Benefits Administration will initiate a strategic planning process for the purpose of developing a five-year vision and corresponding plan for the benefits sponsored by the Insurance Committees. This planning effort will be guided by key underlying principles including: maximizing the value of benefits for plan members, improving the quality of care available, providing services and programs that help plan members with chronic conditions manage and improve their health, and promoting member accountability in the use of plan benefits and healthy behavior. The planning process will seek input from a number of stakeholders including employee and employer representatives. It is anticipated that the results of this planning effort will lead to the implementation of benefit and program changes and enhancements effective January 1, 2010.

The Employee Assistance Program will participate in the depression and anxiety national screening programs. On-site screening will be available in the workplace.

The Employee Assistance Program will promote offerings in its training programs by utilizing email and other online services to increase visibility.

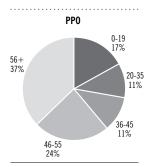
STATE PLAN

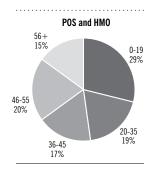
State employees, University of Tennessee and Board of Regents employees comprise the state plan. This plan provided coverage for 76,496 active employees, COBRA participants and qualified retirees.

For 2007, the portion of plan members selecting the POS option continued to increase, growing from 22,791 to 25,086. HMO selection increased slightly from 23,934 to 23,974 and PPO participation declined from 29,140 to 27,436.

Health Contracts		
Preferred Provider Organization	• • • • • • • • • • • • • • • •	
BlueCross Blue Shield	27,436	
Percent of Total		35.9%
Health Maintenance Organization		
Nashville — Cigna Healthcare	8,248	
Percent of Total		10.8%
Memphis — Cigna Healthcare	3,980	
Percent of Total		5.2%
Knoxville — United Healthcare	5,933	
Percent of Total		7.8%
Chattanooga — United Healthcare	2,592	
Percent of Total		3.4%
Tri-Cities — United Healthcare	3,221	
Percent of Total		4.2%
Point of Service		
West — Cigna Healthcare	7,671	
Percent of Total		10.0%
Middle — Cigna Healthcare	13,216	
Percent of Total		17.3%
East — Cigna Healthcare	4,199	
Percent of Total		5.5%

Enrollment demographics show that younger employees tend to select the POS and HMO options while older workers and retirees prefer the PPO. In 2007, 61 percent of the PPO members were at least 46 years of age while 28 percent were under age 36. Alternately, 48 percent of POS and HMO members were under age 36; 35 percent were age 46 or over.





Employees may choose to participate in optional dental insurance. One prepaid dental plan and one preferred provider dental plan were available. State employees electing dental coverage totaled 39,565 at year end, an increase of 3,280 during the calendar year.

During 2007, Fort Dearborn received over \$9 million in premium for the basic term life and the accidental death and dismemberment coverages. Expenses reported for 2007 included \$7.9 million in basic term and accidental death and dismemberment claims and \$369,293 in optional accidental death and dismemberment claims. Administrative fees were \$29,126, reserves were \$658,720, conversion expenses were \$51,450 and taxes were \$73,141.

Employee term life benefits exceeded \$6.3 million and were paid on behalf of 163 employees who died during 2007. An additional \$1.1 million in employee accidental death and dismemberment benefits were provided by the plan. Employees received \$468,253 in benefit payments due to the death of a covered dependent and \$362,620 due to an accident involving the death or dismemberment of a dependent.

At 2007 year end, 15,062 employees were covered under the optional term life insurance plan, in addition to 6,539 spouses and 7,675 children. The coverage for employees was just under \$1.2 billion, spouse coverage was over \$153 million and the child term rider amount was \$34 million. Premiums

Optional Insurance Contracts		
	DEC. 31, 2007	DEC. 31, 2006
Dental Insurance		
Prepaid Plan	19,892	20,750
Preferred Provider Plan	19,673	15,535
Total Dental	39,565	36,285
Optional Life Coverages		
Term Life	29,276	28,211
Universal Life	8,517	8,617
Special Accident	31,028	30,882
Perma Plan	548	613
Total Life	69,369	68,323
Long-Term Care		
Employees	1,919	1,897
Retirees	78	80
Eligible Family Members	518	514
Total Long-Term Care	2,515	2,491

STATE PLAN

for 2007 were over \$4.5 million, while claims totaled almost \$4.2 million.

The optional universal life covered 7,062 employees and 1,455 spouses who maintained over \$483 million in coverage. About \$4.1 million of the annual premium paid for the life benefit with annual claims of \$3 million. At the end of December, the employee cash value had grown to more than \$69 million.

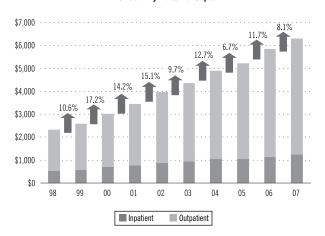
Former employees and covered dependents are offered the option to continue optional life insurance coverages under the portability feature of the programs. The financial data provided in this section includes this population as well.

Optional long-term care insurance covered 2,515 individuals at year end. Total premium payments exceeded \$2 million while claims payments totaled almost \$139,000 paid on behalf of seven enrollees.

As has been the case for the past several years, benefit payments by the state plan increased again in 2007. For the PPO, total allowed amounts per member increased 8 percent to \$6,297. Inpatient benefits increased by 0.9 percent while outpatient costs grew by 8 percent.

For 2007, payments for outpatient services represented 80 percent of the total — up from 76 percent in 1998. Outpatient costs increased 184 percent between 1998 and 2007. Payments for inpatient services grew 130 percent.

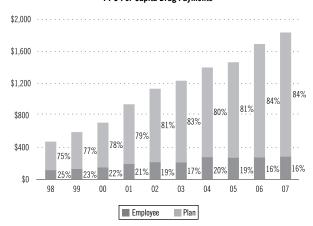
PPO Total Payments Per Capita



Total allowed amounts per member for the POS increased 6 percent to \$4,523. Inpatient payments decreased 3 percent due to a combination of a decrease in the number of total inpatient days per 1,000 members and the number of admissions per 1,000 members. Payments for outpatient services rose by 8 percent.

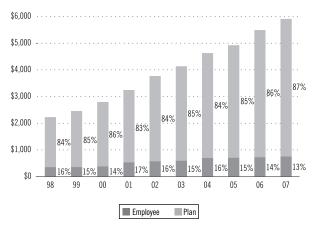
For the PPO, pharmacy plan benefit payments were \$1,545 per member — a 9.6 percent increase over 2006. For the POS, pharmacy payments were \$912 per member — a 10.8 percent increase over 2006.

PPO Per Capita Drug Payments



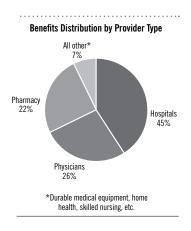
The state plan paid 87 percent of the eligible PPO expenses and 92 percent of the POS eligible expenses during 2007 while the remaining 13 and 8 percent, respectively, were paid by the plan member. The benefits paid by the HMO were 94 percent of eligible expenses — 1 percent more than in 2006.

PPO Per Capita Payments



STATE PLAN

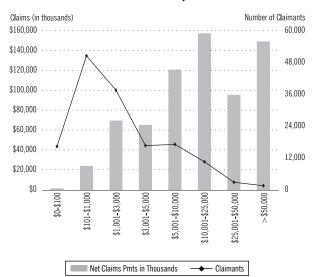
PPO, POS and HMO total payments were \$675,332,569; an increase from \$627,343,429 in 2006. This amount reflects all health vendors submitting data for 2007. As a percent of the total, the distribution of payments remained the same.



Paid claims distribution by individual shows about 28 percent of plan members received benefits in excess of \$10,000 and accounted for 59 percent of the benefit payments. The average net payment for this group was \$9,178.

A total of 16,287 individuals had net claims totaling between \$0-\$100; 16,613 individuals had net claims payments between \$5,001-\$10,000; and 2,788 individuals incurred claims payments greater than \$50,000.

Paid Claims Distribution by Individual



Coronary artery disease, osteoarthritis and diabetes were the top three costliest medical conditions in the State Plan during 2007 (medical costs only; prescription drugs not included).

Chronic Conditions		
	TOTAL PATIENTS	 TOTAL COSTS
Hypertension	27,555	\$ 5,427,716
Diabetes	13,429	\$ 6,376,005
Osteoarthritis	10,782	\$ 19,650,897
Mental Health—Depression	7,118	\$ 3,173,249
Coronary Artery Disease	5,644	\$ 23,482,059
Asthma	4,535	\$ 1,758,165
Mental Health—Anxiety Disorder	3,116	\$ 583,752
Obstructive Pulmonary Disease	2,486	\$ 2,074,613
Mental Health—Bipolar Disorder	1,448	\$ 1,329,348
Congestive Heart Failure	1,000	\$ 3,616,641
Rheumatoid Arthritis	942	\$ 2,047,584
HIV Infection	151	\$ 141,120
*principal diagnosis		

The increasing price and utilization of medical services (especially in the outpatient setting) and prescription drugs will continue to have impact on the future increase in plan benefits. Demographic changes, including the aging of the active workforce and the growth in the number of retirees, will also place demands on the future growth of plan costs.

The state continues to monitor its plan benefits each year, with the goal of providing maximum value to plan members while sharing benefit expenses appropriately.

WELLNESS PROGRAM

The State Employee Wellness Program was initiated in 1992. It is designed to improve awareness of the factors that can affect health and longevity, as well as to enable employees to take increased responsibility for their health by adopting healthier lifestyles. The program is funded, in part, through flexible benefits savings. The information on this page provides components and participation for the various programs offered.

Screenings and Health Risk Assessments

In 2007, 2,987 individuals attended a health screening and completed a health risk assessment (HRA). The average participant age was 47 with 40 percent of participants being male and 60 percent female.

Health Risks by Prevalence	
Body Weight	52.8%
Blood Pressure	37.6%
Stress	32.8%
Safety Belt Use	29.7%
Medication/Drug for Relaxation	24.3%
Life Satisfaction	20.7%
Physical Activity	18.7%
Illness Days	16.7%
Perceived Health	14.3%
Job Satisfaction	12.9%
Existing Medical Conditions	12.2%
Smoking	12.9%
Cholesterol	10.2%
Alcohol	1.4%

My HealthIQ

In August, we launched a new online health risk appraisal, My HealthIQ. It is a tool that helps identify health risks and assesses the likelihood of developing chronic conditions such as heart disease, high blood pressure and diabetes. This tool was added to enable employees not able to attend a screening to receive this information and be eligible to participate in the coaching program if identified as having multiple health risks.

Coaching

Employees participating in the My HealthIQ and HRA who were identified as having two or more high risks were invited to participate in the wellness coaching or high-risk intervention

program — 31 percent of those eligible to participate enrolled. Each participant received intervention telephone calls and follow-up calls from a qualified health educator or RN over a six-month period. A total of 111 participants, or 52 percent, have improved or eliminated between one and three risk factors.

Toll-Free HealthLine

The HealthLine made 2,791 calls. Health educators answer this line and initiate calls to participants as well.

Seminar Series

During 2007, two new titles were added to the seminar program: Happiness 101, The Sequel and Achieving Your Personal Best, bringing the total number of available seminars to 18. A total of 961 employees participated in one or more of the seminars presented.

Fitness Center Discount Program

Over 130 fitness centers across the state provide membership discounts to participants in the state group insurance program.

Peel the Pounds

This five-month weight loss competition was designed to increase weight loss motivation with team support. It provided information on healthy eating and exercise to help participants reach and maintain appropriate weight goals. A total of 2,454 employees began the program and 54 percent (or 1,336 employees in 108 teams) completed the program with an average weight loss of 91 pounds per team (or 7.4 pounds per participant). Results showed 24 percent lost between 5 and 9 percent of their beginning body weight while another 5 percent lost between 10 to 14 percent of their beginning body weight. Any loss of 5 percent or more begins to significantly reduce an individual's existing health risks.

Maintain Don't Gain Challenge

This program encouraged participants to not gain the average six to seven pounds from Thanksgiving to New Year's Day. Rather, the program focused on maintaining participant's pre-holiday weight. A total of 1,021 employees registered and 46 percent completed the program. Results showed that 58 percent lost a total of 1,151 pounds (or six pounds per person). A total of 18 percent maintained their pre-holiday weight, while 25 percent gained an average of three pounds per person.

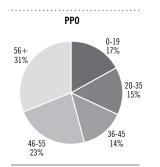
LOCAL EDUCATION PLAN

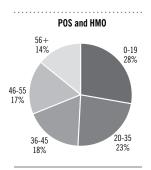
In 1985, the Tennessee General Assembly authorized creation of an insurance plan for local education employees. Funds were appropriated to pay part of the premiums for participating employees beginning January 1, 1986. School systems within the state may join the local education plan or must provide alternative coverage that is equal or superior to the state-sponsored program.

At 2007 year end, 125 school systems and educational co-ops were participating in the local education plan. Plan enrollment was 54,157 — up from 50,929 in 2006. The portion of plan members selecting the POS option continued to increase, growing from 18,953 to 23,299. PPO enrollment decreased from 24,115 to 23,118 and HMO selection decreased slightly from 7,861 to 7,740.

Health Contracts		
Preferred Provider Organization		
BlueCross Blue Shield	23,118	
Percent of Total		42.7%
Health Maintenance Organization		
Nashville — Cigna Healthcare	632	
Percent of Total		1.2%
Memphis — Cigna Healthcare	302	
Percent of Total		0.6%
Knoxville — United Healthcare	3,697	
Percent of Total		6.8%
Chattanooga — United Healthcare	603	
Percent of Total		1.1%
Tri-Cities — United Healthcare	2,506	
Percent of Total		4.6%
Point of Service		
West — Cigna Healthcare	5,006	
Percent of Total		9.2%
Middle — Cigna Healthcare	9,583	
Percent of Total		17.7%
East — Cigna Healthcare	8,710	
Percent of Total		16.1%

Enrollment demographics show that younger employees tend to select the POS and HMO options while older workers and retirees prefer the PPO. In 2007, 54 percent of the PPO members were at least 46 years of age while 32 percent were under age 36. Alternately, 51 percent of POS and HMO members were under age 36; 31 percent were age 46 or over.





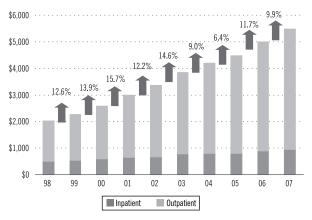
Dental insurance is available as an option to participants in the local education plan. Participation in the dental plan increased from 6,377 to 7,998.

Life insurance and long-term care coverage are not available options to members in the local education plan.

Optional Insurance Contracts		
	DEC. 31, 2007	DEC. 31, 2006
Dental Insurance		
Prepaid Plan	1,447	1,597
Preferred Provider Plan	6,551	4,780
Total Dental	7,998	6,377

In 2007, there was a 10 percent increase in the total allowed amount per member in the PPO to \$5,487. The increase was mostly attributable to increasing outpatient costs, as the total allowed amount per outpatient medical service increased 4 percent to \$71 and the total allowed amount per member for outpatient medical and pharmacy payments increased 10 percent to \$4,501.

PPO Total Payments Per Capita

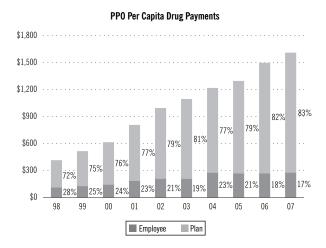


LOCAL EDUCATION PLAN

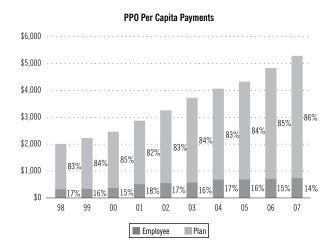
For 2007, payments for outpatient services represented 83 percent of the total — up from 75 percent in 1998. Outpatient costs grew 199 percent between 1998 and 2007. Payments for inpatient services grew at 90 percent.

Total allowed amounts per member in the POS increased 7 percent primarily due to increasing outpatient expenses, while the total allowed amounts per member in the HMO increased 1 percent over 2006.

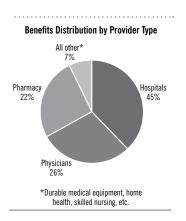
Pharmacy costs continue to impact the growth of benefit payments in the local education plan. For the PPO, the plan's cost for prescription drugs for each member increased from \$1,224 in 2006 to \$1,328 in 2007 — an 8 percent increase. As costs continue to increase, the plan will have to continually review its benefits, with the goal of providing value to plan members while at the same time sharing benefit expenses appropriately.



The local education plan paid 86 percent of the eligible PPO expenses and 92 percent of the POS eligible expenses during 2007 while the remaining 14 and 8 percent, respectively, were paid by the plan members. The benefits paid by the HMO were 93 percent of eligible expenses — 1 percent more than in 2006.



PPO, POS and HMO total payments were \$385,746,998; an increase from \$346,942,498 in 2006. This amount reflects all health vendors submitting data for 2007. As a percent of the total, there was an increase in payments to hospitals while the percentage payments to physicians and pharmacy remained the same.

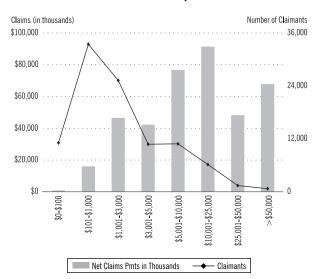


LOCAL EDUCATION PLAN

Paid claims distribution by individual shows about 8 percent of plan members received benefits in excess of \$10,000 and accounted for 53 percent of the benefit payments. The average net payment for this group was \$14,715.

A total of 11,109 individuals had net claims totaling between \$1-\$100; 10,871 individuals had net claims payments between \$5,001-\$10,000; and 704 individuals incurred claims payments greater than \$50,000.

Paid Claims Distribution by Individual



As in the State Plan, the costliest medical conditions in 2007 for the Local Education Plan were coronary artery disease, osteoarthritis and diabetes (medical costs only; prescription drugs not included).

Chronic Conditions		
	TOTAL PATIENTS	 TOTAL COSTS
Hypertension	16,073	\$ 2,738,403
Diabetes	7,019	\$ 3,103,922
Osteoarthritis	6,042	\$ 10,848,520
Mental Health—Depression	3,466	\$ 1,266,988
Coronary Artery Disease	2,890	\$ 11,587,852
Asthma	2,722	\$ 802,542
Mental Health—Anxiety Disorder	1,783	\$ 274,156
Obstructive Pulmonary Disease	1,215	\$ 709,646
Rheumatoid Arthritis	602	\$ 931,265
Mental Health—Bipolar Disorder	601	\$ 451,912
Congestive Heart Failure	456	\$ 1,212,993
HIV Infection	32	\$ 160,405
*principal diagnosis		

As indicated previously, the increasing price and utilization of medical services (especially in the outpatient setting) and prescription drugs will continue to have an impact on the future increase in plan benefits. Demographic changes, including the aging of the active workforce and the growth in the number of retirees, will also place demands on the future growth of plan costs.

As costs continue to increase, the plan will have to continually review its benefits, with the goal of providing value to plan members while at the same time sharing benefit expenses appropriately.

LOCAL EDUCATION PLAN

Participants

Alamo City Schools Alcoa City Schools Anderson County Schools Athens City Schools **Bedford County Schools** Bells City Schools Benton County Schools Bledsoe County Schools Bradford Special School District Bradley County Board of Education Bristol City Schools Campbell County Schools Cannon County Schools Carroll County Schools Carter County Schools Cheatham County Schools Chester County Schools Clay County Schools Cleveland City Schools Clinton City Schools Cocke County Schools Coffee County Schools Crockett County Schools **Cumberland County Schools Dayton City Schools Decatur County Schools** Dekalb County Schools Dickson County Board of Education Dyer County Schools Dyersburg City Schools Elizabethton City Schools

Etowah City Schools

Fayette County Schools Fayetteville City Schools Fentress County Schools Franklin County Schools Franklin Special School District Gibson County Schools Giles County Schools **Grainger County Schools** Greene County Schools Greeneville City Schools **Grundy County Schools** Hamblen County Schools Hancock County Schools Hardeman County Schools Hardin County Schools Hawkins County Schools **Haywood County Schools** Henderson County Schools Henry County Board of Education Hickman County Schools Hollow Rock - Bruceton Special School District Houston County Schools **Humboldt City Schools Humphreys County Schools** Huntingdon Special Schools Jackson County Schools Jackson-Madison County Board of Education Jefferson County Schools Kingsport City Schools **Knox County Schools** Lake County Schools Lauderdale County Schools

Lawrence County Schools Lebanon – Tenth District Schools Lenoir City Schools Lewis County Schools Lexington City Schools Lincoln County Schools Little TN Valley Education Co-op Loudon County Schools Macon County Schools Manchester City Schools Marion County Schools Marshall County Schools Maury County Schools McKenzie Special School District McMinn County Schools McNairy County School System Meigs County Board of Education Milan Special School District Monroe County Board of Education Moore County Schools Morgan County Schools Murfreesboro City Schools Newport City Schools Oak Ridge City Schools Obion County Schools Oneida Special School District Overton County Schools Paris Special School District Perry County Schools

Pickett County Schools

Polk County Board of Education Putnam County Schools Rhea County Schools Richard City Special Schools Roane County Schools Robertson County Schools Rogersville City Schools Scott County Schools Sequatchie County Schools Sevier County Schools Smith County Schools South Carroll County Special District Stewart County Schools Sullivan County Board of Education Sumner County Board of Education Sweetwater City Schools **Tipton County Schools** Trenton Special School District Tri-County Vocational Schools Trousdale County Schools Tullahoma City Schools Unicoi County Schools Union City Schools Union County Schools Van Buren County Schools Warren County Schools Washington County Schools Wayne County Schools Weakley County Schools West Carroll Special School District

White County Schools

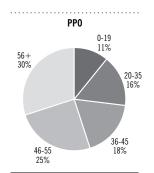
LOCAL GOVERNMENT PLAN

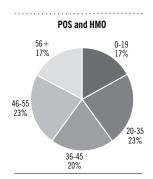
In 1989, the Tennessee General Assembly authorized creation of an insurance plan for local government agency and quasi-governmental agency employees. At 2007 year end, 369 counties, cities and quasi-governmental agencies were participating in the local government plan. This number reflects 18 new agencies joining the plan and 24 terminating participation during the year.

Plan enrollment was 13,320 at year end, an increase from 12,902 in December 2006. Of the total enrollment, 3,560 participated in the PPO, while 2,642 were covered by HMOs. Enrollment in POSs totaled 6,083. The high-deductible PPO limited option established at the beginning of 2004 had a total enrollment of 1,035 at year end.

Health Contracts		
Preferred Provider Organization		
BlueCross Blue Shield	3,560	
Percent of Total		26.7%
Health Maintenance Organization		
Nashville — Cigna Healthcare	325	
Percent of Total		2.4%
Memphis — Cigna Healthcare	439	
Percent of Total		3.3%
Knoxville — United Healthcare	864	
Percent of Total		6.5%
Chattanooga — United Healthcare	645	
Percent of Total		4.8%
Tri-Cities — United Healthcare	369	
Percent of Total		2.8%
Point of Service		
West — Cigna Healthcare	1,574	
Percent of Total		11.8%
Middle — Cigna Healthcare	2,881	
Percent of Total		21.6%
East — Cigna Healthcare	1,628	
Percent of Total		12.2%
Preferred Provider Organization Limited		
BlueCross BlueShield	1,035	7.8%

Enrollment demographics show that younger employees tend to select the POS and HMO options while older workers and retirees prefer the PPO. In 2007, 55 percent of the PPO members were at least 46 years of age while 27 percent were under age 36. Alternately, 40 percent of POS and HMO members were under age 36; 40 percent were age 46 or over.





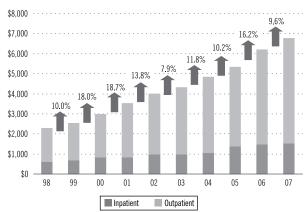
Dental insurance became available as an option to participants in the local government plan in January 1993. Participation in the dental coverage at year end increased from 2,159 to 2,606.

Life insurance and long-term care coverage are not available options to members in the local government plan.

Optional Insurance Contracts				
	DEC. 31, 2007	DEC. 31, 2006		
Dental Insurance				
Prepaid Plan	824	928		
Preferred Provider Plan	1,782	1,231		
Total Dental	2,606	2,159		

There was a 10 percent increase — to \$6,772 — in the allowed amount per PPO member during 2007. This increase was mostly attributable to strong increases in outpatient activity, both in terms of cost and use. Total payments between plan members and the plan for inpatient activity for all PPO members increased 3 percent to \$1,561, while the number of inpatient days per 1,000 members decreased 12 percent to 428.

PPO Total Payments Per Capita



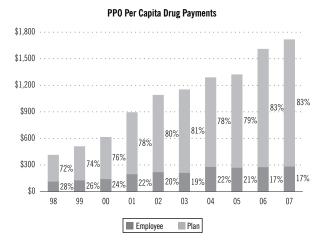
LOCAL GOVERNMENT PLAN

For 2007, payments for outpatient services represented 77 percent of the total — up from 73 percent in 1998. Outpatient costs grew 216 percent between 1998 and 2007. Payments for inpatient services grew 147 percent.

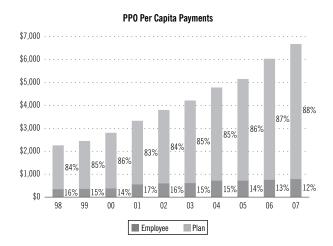
Total allowed amounts per member in the POS were \$5,425 — up 8 percent over 2006. This was driven mostly by large increases in outpatient cost and use as in the PPO, as well as significant increases in payments per service for outpatient activity.

Pharmacy costs continue to impact the growth of benefit payments in the local government plan. For the PPO, the plan's cost for prescription drugs for each member increased from \$1,329 in 2006 to \$1,428 in 2007 — a 7 percent increase.

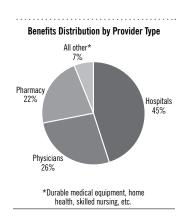
The local government plan paid 88 percent of the eligible PPO



expenses and 93 percent of the POS eligible expenses during 2007 while the remaining 12 and 7 percent, respectively, were paid by the plan members. The benefits paid by the HMO were 93 percent of eligible expenses — the same as in 2006.



PPO, POS and HMO total disbursements were \$94,360,103; an increase from \$88,948,307 in 2006. This amount reflects all health vendors submitting data for 2007. As a percent of the total, there was a decrease in payments to physicians while payments to hospitals and pharmacy remained the same.

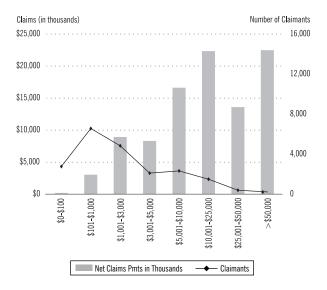


LOCAL GOVERNMENT PLAN

Paid claims distribution by individual shows about 10 percent of plan members received benefits in excess of \$10,000 and accounted for 61 of the benefit payments. The average net payment for this group was \$14,874.

A total of 2,771 individuals had net claims totaling between \$1-\$100; 2,325 individuals had net claims payments between \$5,001-\$10,000; and 223 individuals incurred claims payments greater than \$50,000.

Paid Claims Distribution by Individual



As in the State and Local Education Plans, the costliest medical conditions in 2007 for the Local Government Plan were coronary artery disease, osteoarthritis and diabetes (medical costs only; prescription drugs not included).

Chronic Conditions		
	TOTAL PATIENTS	 TOTAL COSTS
Hypertension	4,172	\$ 736,292
Diabetes	2,002	\$ 983,985
Osteoarthritis	1,535	\$ 2,603,367
Coronary Artery Disease	927	\$ 5,095,592
Mental Health—Depression	812	\$ 316,375
Asthma	555	\$ 177,903
Mental Health—Anxiety Disorder	444	\$ 55,126
Obstructive Pulmonary Disease	441	\$ 379,855
Mental Health—Bipolar Disorder	160	\$ 124,285
Congestive Heart Failure	156	\$ 300,708
Rheumatoid Arthritis	112	\$ 291,349
HIV Infection	26	\$ 12,273
*principal diagnosis		

As indicated previously, the increasing price and utilization of medical services (especially in the outpatient setting) and prescription drugs will continue to have impact on the future increase in plan benefits. Demographic changes, including the aging of the active workforce and the growth in the number of retirees, will also place demands on the future growth of plan costs.

As costs continue to increase, the plan will have to continually review its benefits, with the goal of providing value to plan members while at the same time sharing benefit expenses appropriately.

LOCAL GOVERNMENT PLAN

Participants

Access Services of Middle TN Adult Community Training Agape, Inc. Aging Services of the Upper Cumberland Aid Distressed Families

Anderson County

Alamo, City of

Alcohol and Drug Council of Middle TN

Alpha-Talbot Utility District Anderson County CAC Anderson County Health

Council

Appalachian Education Community Corp.

ARC of Davidson County
ARC of Hamilton County

ARC of Washington County

ARC of Williamson County

Atoka, Town of Atwood, Town of

Avalon Center Bedford County

Belle Meade, City of

Bells, City of

Benton County Highway Better Decisions

Big Creek Utility District Big Sandy, City of

Bledsoe County Blount County CAA

Bon Aqua Lyles Utility
Bondecroft Utility

Bradley County

Bradley/Cleveland CSA Bradley/Cleveland Services

Bridge Refugee Services

Bridges of Williamson County

Bruceton, Town of Burns, City of

Camden, City of Campbell County 911

Care of Savannah, Inc. Carroll County 911

Carroll County 911 Carthage, Town of

Caryville – Jacksboro Utility

Caryville, Town of CASA – Juvenile Services CASA of the TN Heartland

CASA, Inc.

Castalian Springs – Bethpage Utility District

CEASE, Inc.

Center for Independent Living of Middle TN

Center for Living and Learning

Centerville, Town of Chattanooga Endeavors, Inc.

Cheatham County
Cheatham County Highway

Chester County

Children's Advocacy Center Claiborne County Highway Clarksville Housing Authority

Clarksville/Montgomery
County CAA

Clearfork Utility District

Clifton, City of Clinchfield Senior Center

Cocke County

Cocke County 911
Cocke County Highway

Coffee County

Community Anti-Drug Coalition Across TN Community Development

Center Community Health Network,

Inc.
Community Network Services

Comprehensive Care Center Coopertown, Town of

Cornerstone

County Wide Utility District Crab Orchard Utility District

Crockett County

Crockett County Highway Crockett County Public Utility District

Cross Plains, City of Cumberland Community Options, Inc.

Cumberland County
Cumberland Utility District

Cumberland Utility District Cunningham Utility District Dayton, City of

Decatur County Decherd, City of Dekalb County

DeWhite Utility Dickson Electric Department Disability Resource Center

Dover, Town of

Downtown Ministry Center, Inc.

Dresden, City of Dunlap, City of East TN CSA

East TN Development District
East TN Foundation

Eastside Utility District Engstrom Services, Inc. Erin, City of

Erin Housing Authority Estill Springs, Town of Etheridge, City of Fairview Utility District

Fayette County 911

Fayette County

Fayette County Public Works Fayetteville Housing

Authority

Fayetteville – Lincoln County Library

Fentress County Government First Utility District of Tipton County

First Utility of Hawkins County

Four Lake Regional Industrial Development Authority

Franklin Consolidated Housing Authority Franklin County

Franklin County Adult
Activity Center

Franklin County Highway Franklin County Industrial Development Board

Friendship, City of Gallatin Housing Authority Gibson County Municipal

Water
Giles County
Cites County 011

Giles County 911 Gladeville Utility District Gleason, City of

Good Neighbor Mission and Crisis Center

Goodwill Industries Knoxville, Inc.

Gordonsville, Town of Greenbrier, City of Grundy County Grundy County Highway Grundy Housing Authority

Hamilton County 911 Hardeman – Fayette Utility

District
Hardin County Government
Hardin County Skills, Inc.

Harriman, City of Hartsville/Trousdale County

Hawkins County Henderson, City of Henderson County

Henderson County Highway Henry County Highway Hickman County Highland Rim Economic Corporation

Hixson Utility District Homeplace, Inc.

Homesafe of Sumner, Wilson and Robertson County

Hope of East TN

Humboldt Housing Authority

Humboldt, City of Humphreys County

Humphreys County 911 Huntingdon, Town of

Impact Center, Inc.
Jacksboro, Town of

Jackson Area Council on Alcohol and Drug Dependence

Jackson Center for Independent Living

James Developmental Center

Jason Foundation Jasper, Town of

Jefferson City Housing Jefferson County

Jefferson County 911 Johnson County

Jubilee Community Arts

Kimball, Town of Kings Daughters Day Home

Kings Daugnters Day Home Kingsport Housing and Redevelopment Authority

Kingston, City of

Kingston Springs, Town of Knoxville-Knox County CAC

Lafayette, City of Lakeland, City of Lakesite, City of

Lawrence County
Lawrence County 911

Lawrence County Chamber of

Commerce Lawrenceburg, City of Lawrenceburg Housing

Authority Lewis County Highway Lewisburg Housing Authority Lexington, City of

Lexington Electric System Lincoln County Linden, City of Lobelville, City of

Loretto, City of Madison Suburban Utility

Manchester Housing Authority Marion County

Marion County Highway
Marion County 911

LOCAL GOVERNMENT PLAN

Marion Natural Gas Mason, Town of McKenzie, City of McNairy County **Development Services** McNairy County Highway Memphis and Shelby County **CSA** Memphis Area Legal Services Memphis Center for Independent Living Mental Health Association of Middle TN Mid-Cumberland CAA Mid-Cumberland HRA Mid-East CAA Midwest Community Services Agency Milan Public Utilities Ministerial Association Temporary Shelter Minor Hill Water Utility District Monteagle, Town of Mosheim, Town of Mt. Carmel – Hawkins SCC Murfreesboro Electric Department NAMI TN Nashville Cares Nashville Cares - Special Funding National Association of Social Workers National Healthcare for the Homeless Council New Directions New Horizons Corporation New Johnsonville, City of New Market Utility District Newbern, City of North Utility of Decatur/ Benton County Northeast CSA Northeast Henry County Utility Northwest Dyersburg Utility Northwest Safeline Northwest TN Economic **Development Council** Northwest TN Head Start Oak Ridge, City of Oak Ridge Housing Authority Old Hickory Utility Old Knoxville Highway Water District

Overton County

Overton County Highway

Overton County Nursing Home Parsons, City of Pathfinders, Inc. Pegram, Town of Perry County Highway Perry County Officials Petersburg, Town of Pleasant View, Town of Portland, City of Puryear, City of Rape and Sexual Abuse Center Reelfoot Lake Regional Utility and Planning District Rhea County Rhea Medical Center Riceville Utility District Ripley, City of Ripley Gas/Water Roane Central Utility Roane County Roane County 911 Rochelle Center Rose Center Council for the Arts Rossville, Town of Rutherford County Adult **Action Center** Safe Haven Center Samaritan Recovery Community, Inc. Savannah, City of Scotts Hill, Town of Second South Cheatham **Utility District** Senior Citizens, Inc. Sequatchie County Sequatchie County Highway Sequatchie Valley Planning Serenity Recovery Center Sertoma Center Sharon, City of Shelby County 911 Shelby Residential and Vocational Services, Inc. Shelter, Inc. Smith County Smith County Highway Smithville. City of Smithville Electric System Soddy-Daisy Falling Water Utility South Carthage, Town of South Central CSA South Central TN

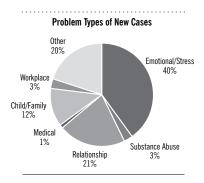
Development District

South Central TN Workforce **Board** South Pittsburg, City of Southeast Mental Health Center Southeast Regional CHA Southwest CHA Southwest TN Development District Spectrum Support Services Spring City, Town of St. Joseph, City of Statewide Independent Living Council of TN Stewart County Stewart County Highway Street Works Sullivan County 911 Surgoinsville Utility District TARP, Inc. Team Evaluation Center Temporary Residence for Adolescents and Crisis TennCare Consumer Advocacy Program Tennessee Tomorrow Tennessee Voices for Children **Tipton County** Tipton County 911 District Tiptonville, Town of TN Alcohol and Drug Association TN Arts Center of Cannon County TN Association of Assessing Officers TN Association of County Executives TN Association of Craft Artists TN Association of Utility Districts TN Business Enterprises TN Center for Nursing, Inc. TN Chapter of Children's Advocacy Center TN County Commissioners Association TN County Highway Officials TN County Services Association TN Healthcare Campaign TN Historical Society TN Mental Health Consumers Association TN Organization of School Superintendents

TN Primary Care Association TN School Board Association TN Secondary School Athletic Association TN State Employees Association TN State Museum Foundation TN State Veterans Home Humboldt TN State Veterans Home Knoxville TN State Veterans Home Murfreesboro TN Technology Development Tracey City Public Utility Tri-Cities/Sullivan Utility District Troy, Town of Tullahoma Housing Authority Tullahoma Utilities Twenty-first Drug Task Force Unicoi. Town of Union City Electric System Union County Highway United Cerebal Palsy Center Upper Cumberland CSA Upper Cumberland Development District Upper East TN Human Development Agency **Urban Housing Solutions** Vital Center Volunteer Memphis Walden, Town of Warren County Wartburg, City of Wartrace, Town of Waverly, City of WDVX Cumberland Communications Weakley County Weakley County 911 Webb Creek Utility West Cumberland Utility West Overton Utility West TN Legal Services, Inc. West TN Regional Art Center West Warren - Viola Utility Westmoreland, Town of White Bluff, City of Whiteville, City of Whitwell, City of Williamson County Child Advocacy Center Woodbury Housing Authority Workforce Solutions

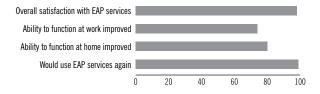
EAP, MENTAL HEALTH AND SUBSTANCE ABUSE

The EAP provides counseling and referral services for personal and workplace problems. Eligible employees and their dependents may receive up to six counseling sessions per problem episode at no direct cost. The program is available to all state and higher education employees/dependents who are eligible to participate in the state group insurance program and all local education and local government employees who participate in a state-sponsored health plan. If more intensive treatment is needed, individuals may receive care through their insurance plan's mental health or substance abuse coverage.



Magellan Health Services reported 13,047 members accessing EAP services for the year. As a percent of total, referral utilization by plan was 78 percent state plan, 18 percent local education plan and 4 percent local government plan.

Client Office Session Questionnaire Responses



Training programs include employee orientations and supervisory training classes on the EAP services. Personal and professional growth seminars are held in nine locations across the state quarterly and upon request by agencies, departments and schools. Participation in consultation and training services continues to be in high demand. Counseling services were utilized by 3.7 percent of those eligible while training services were utilized by 7.4 of those eligible. A total of 769 hours were spent in training activities reaching 11,297 employees.

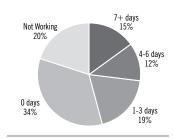
Supervisory training sessions are offered to teach supervisors how to use the EAP as one of their managerial tools in promoting

good job performance. A total of 55 sessions were provided with attendance totaling 691. Critical stress debriefings occurred on 28 occasions involving 544 employees.

There were 285 professional and personal growth seminars offered and attended by 7,082 employees. That was a marked increase from the previous year in which 254 seminars were presented to 5,984 employees.

A total of 8,743 employees used on-line services at the Magellan website — an increase over the previous year.

Estimated Loss of Work Without EAP Services



The management of mental health and substance abuse benefits through Magellan Health Services for the integrated employee assistance and behavioral health program has continued to result in patients receiving care in more clinically appropriate and less costly settings.

Inpatient utilization for the PPO, POS and HMO plans combined showed a total of 1,145 cases reviewed. The number of admissions per 1,000 covered individuals was 4.2 and days of care per 1,000 covered individuals was 35.7 for the year.

Outpatient utilization for the combined plans showed a total of 11,993 patients reviewed with sessions totaling 319.7 per 1,000 individuals. Intensive outpatient and partial hospitalization services were utilized by 407 patients with 21 sessions per 1,000 individuals.

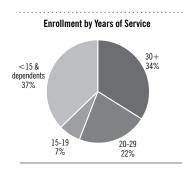
Total utilization for the combined plans was 86,950 outpatient sessions with over \$4 million in claims payments. Intensive outpatient and partial hospitalization resulted in claims payments of \$906,082 for 5,742 days. Inpatient days were 5,275 with almost \$3.8 million in claims payments. Residential treatment center days were 4,159 with a total of over \$1.7 million in claims payments.

MEDICARE SUPPLEMENT PROGRAM

Since January 1989, the state has maintained a benefits program for Medicare-eligible, retired teachers and state employees. The program involves two elements: the sponsorship of Medicare supplement coverage and the provision of financial support for participating retirees.

The Medicare Modernization Act made significant changes to Medicare and to the rules that govern Medicare supplement coverage. It also authorized the new Medicare Part D prescription drug coverage. Based on the restrictions on the benefits that can be provided by Medicare supplement policies, all participants were combined into a single Medicare supplement plan at the beginning of 2006—The Tennessee Plan—with previous pharmacy benefits subsequently discontinued. To comply with standard plan requirements established by the National Association of Insurance Commissions (NAIC), The Tennessee Plan matches the NAIC level D benefits.

The state's financial support is based on a retiree's length of service. Retired teachers and state employees received \$50 per month for 30 or more years of service; \$37.50 for 15 to 19 years



of service and \$25 per month for 15 to 19 years of service. This support is provided to Medicare supplement participants and to retired teachers in school districts which sponsor employee medical plans and permit Medicare-eligible retirees to continue coverage during retirement. Enrollment in this coverage increased from 21,923 in 2006 to 25,268 in 2007.

The division completed a competitive procurement through the state's request for proposals (RFP) process, which resulted in a change in the claims administrator for this coverage from BlueCross BlueShield to the POMCO Group. Based on the lower administrative costs, this procurement resulted in a 15 percent premium decrease for plan members in 2007. Over the term of the initial contract, it is estimated that the state will save over \$4.5 million.

Based on the fact that the Medicare supplement fund was in good financial condition, the 2007 premium was further reduced by \$20 per month per member to return funds to participating retirees.

Results of the first annual member satisfaction survey conducted by POMCO showed a 55% response rate with 96.7% of members giving an overall satisfaction rating of excellent, very good or good. In addition to a dedicated customer service center, a customized self-service web portal was also established where members have 24/7 access to claims information, explanation of benefits and other plan information.

In 2007, the POMCO Group processed over 700,000 claims for plan members.

STATE PLAN

The following unaudited financial statements for the state plan, local education plan, local government plan and Medicare supplement program disclose the financial position and the results of operations for the year ended June 30, 2007. The Department of Finance and Administration, Benefits Administration prepared these statements which summarize transactions for all coverages available through each plan. These plan financial statements differ from the audited financial statements reported in the state's *Comprehensive Annual Financial Report* (CAFR). The state implemented GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*,

which required splitting the active employees and pre-65 retired employees, currently commingled in the plan, into funds requiring separate financial reporting. Therefore, in accordance with GASB Statement 43, the CAFR includes financial statements covering the transactions and events relative to active employees (either internal service fund or enterprise fund) and pre-65 retired employees (agency funds) separately. The CAFR was prepared by the Department of Finance and Administration, Division of Accounts, and was audited by the Comptroller of the Treasury, Division of State Audit.

Comparative Statement of Net Assets

	30-JUN-07	30-JUN-06
Assets		
Cash	\$ 235,613,861	\$ 216,105,609
Insurance accounts receivable	53,817	1,538
Accounts receivable	8,102,897	2,948,747
Total assets	\$ 243,770,575	\$ 219,055,894
Liabilities		
Accrued liabilities and accounts payable	\$ 47,152,062	\$ 47,447,785
Deferred revenue	39,465,458	36,253,886
Total liabilities	\$ 86,617,520	\$ 83,701,671
Net assets		
Unrestricted	\$ 157,153,055	\$ 135,354,223
Total net assets	\$ 157,153,055	\$ 135,354,223

STATE PLAN

Comparative Statement of Revenues, Expenses and Changes in Net Assets

	30-JUN-07	30-JUN-06
Operating revenues		
Premiums	\$ 685,350,939	\$ 644,383,797
Other	 3	 182
Total operating revenues	\$ 685,350,942	\$ 644,383,979
Operating expenses		
Benefits/claims	\$ 651,858,210	\$ 581,670,171
Less: insurance recoveries	(14,628,294)	(8,407,291)
Administrative services	2,553,063	2,896,454
Contract services	26,588,117	33,436,463
Insurance premiums	8,793,683	9,093,205
Total operating expenses	\$ 675,164,779	\$ 618,689,002
Operating income	\$ 10,186,163	\$ 25,694,977
Non-operating revenues		
Interest income	\$ 11,064,388	\$ 7,939,927
Total non-operating revenues	\$ 11,064,388	\$ 7,939,927
Income before transfers	\$ 21,250,551	\$ 33,634,904
Transfers from general fund	548,281	570,002
Change in net assets	\$ 21,798,832	\$ 34,204,906
Net assets, July 1	135,354,223	101,149,317
Net assets, June 30	\$ 157,153,055	\$ 135,354,223

STATE PLAN

Comparative Statement of Cash Flows

	30-JUN-07	30-JUN-06
Cash flows from operating activities		
Receipts from interfund services provided	\$ 444,167,613	\$ 412,772,088
Receipts from customers and users	258,122,607	249,326,831
Payments to suppliers	(691,841,574)	(626,201,283)
Payments for interfund services used	(2,553,063)	 (2,896,454)
Net cash from (used for) operating activities	\$ 7,895,583	\$ 33,001,182
Cash flows from noncapital financing activities		
Transfers in	\$ 548,281	\$ 570,002
Net cash from noncapital financing activities	\$ 548,281	\$ 570,002
Cash flows from investing activities		
Interest received	\$ 11,064,388	\$ 7,939,927
Net cash from investing activities	\$ 11,064,388	\$ 7,939,927
Net increase (decrease) in cash and cash equivalents	\$ 19,508,252	\$ 41,511,111
Cash and cash equivalents, July 1	216,105,609	174,594,498
Cash and cash equivalents, June 30	\$ 235,613,861	\$ 216,105,609
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	\$ 10,186,163	\$ 25,694,977
Adjustments to reconcile operating income (loss) to net cash from operating activities		
(Increase) decrease in accounts receivable	\$ (5,206,429)	\$ (1,663,444)
(Increase) decrease in accounts payable	(295,723)	6,874,259
(Increase) decrease in deferred revenue	 3,211,572	2,095,390
Total adjustments	\$ (2,290,580)	\$ 7,306,205
Net cash from (used for) operating activities	\$ 7,895,583	\$ 33,001,182

LOCAL EDUCATION PLAN

Comparative Statement of Net Assets

Net assets, July 1

Net assets, June 30

		30-JUN-07		30-JUN-06
Assets				
Cash	\$	143,854,575	\$	115,291,447
Insurance accounts receivable		2,179		814
Accounts receivable		4,666,372		1,713,263
Total assets	\$	148,523,126	\$	117,005,524
Liabilities				
Accrued liabilities	\$	28,763,389	\$	27,355,000
Accounts payable		9,512		14,324
Deferred revenue		2,220,769		1,848,931
Total liabilities	\$	30,993,670	\$	29,218,255
Net assets				
Unrestricted	\$	117,529,456	\$	87,787,269
Total net assets	\$	117,529,456	\$	87,787,269
Operating revenues Premiums	¢	383,355,186	\$	
		30-JUN-07		30-JUN-06
Premiums	\$	383 355 T86	4	256 222 225
Others		000,000,100	Ψ	356,033,005
Other		_	Ψ	108
Insurance forfeitures		<u> </u>		108 337
Insurance forfeitures	\$	383,355,186	\$	108
Insurance forfeitures Total operating revenues Operating expenses	i		\$	108 337 356,033,450
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims	\$	383,355,186 364,915,379		108 337 356,033,450 323,941,437
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries	i		\$	108 337 356,033,450 323,941,437 (4,608,136)
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services	i		\$	337 356,033,450 323,941,437 (4,608,136) 1,326,191
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services	\$	- 383,355,186 364,915,379 (8,319,527) 1,246,204 15,906,226	\$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services Total operating expenses	\$	383,355,186 364,915,379 (8,319,527) 1,246,204 15,906,226 373,748,282	\$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159 340,917,651
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services Total operating expenses Operating income	\$	- 383,355,186 364,915,379 (8,319,527) 1,246,204 15,906,226	\$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services Total operating expenses Operating income Non-operating revenues	\$	383,355,186 364,915,379 (8,319,527) 1,246,204 15,906,226 373,748,282 9,606,904	\$ \$ \$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159 340,917,651 15,115,799
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services Total operating expenses Operating income Non-operating revenues Interest income	\$ \$ \$		\$ \$ \$ \$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159 340,917,651 15,115,799 3,929,249
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services Total operating expenses Operating income Non-operating revenues Interest income	\$	383,355,186 364,915,379 (8,319,527) 1,246,204 15,906,226 373,748,282 9,606,904	\$ \$ \$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159 340,917,651 15,115,799
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services Total operating expenses Operating income Non-operating revenues Interest income Total non-operating revenues	\$ \$ \$		\$ \$ \$ \$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159 340,917,651 15,115,799 3,929,249
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services Total operating expenses Operating income Non-operating revenues	\$ \$ \$ \$		\$ \$ \$ \$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159 340,917,651 15,115,799 3,929,249 3,929,249
Insurance forfeitures Total operating revenues Operating expenses Benefits/claims Less: insurance recoveries Administrative services Contract services Total operating expenses Operating income Non-operating revenues Interest income Total non-operating revenues	\$ \$ \$ \$		\$ \$ \$ \$	108 337 356,033,450 323,941,437 (4,608,136) 1,326,191 20,258,159 340,917,651 15,115,799 3,929,249 3,929,249 19,045,048

87,787,269

\$ 117,529,456

56,799,153

87,787,269

LOCAL EDUCATION PLAN

Comparative Statement of Cash Flows

	30-JUN-07	30-JUN-06
Cash flows from operating activities		
Receipts from customers and users	\$ 382,879,075	\$ 357,052,503
Payments to suppliers	(373,208,261)	(335,986,478)
Payments for interfund services used	 (1,242,969)	 (1,326,191)
Net cash from (used for) operating activities	\$ 8,427,845	\$ 19,739,834
Cash flows from noncapital financing activities		
Transfers in	\$ 13,801,972	\$ 11,943,068
Net cash from noncapital financing activities	\$ 13,801,972	\$ 11,943,068
Cash flows from investing activities		
Interest received	\$ 6,333,311	\$ 3,929,249
Net cash from investing activities	\$ 6,333,311	\$ 3,929,249
Net increase (decrease) in cash and cash equivalents	\$ 28,563,128	\$ 35,612,151
Cash and cash equivalents, July 1	115,291,447	79,679,296
Cash and cash equivalents, June 30	\$ 143,854,575	\$ 115,291,447
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	\$ 9,606,904	\$ 15,115,799
Adjustments to reconcile operating income (loss) to net cash from operating activities		
(Increase) decrease in accounts receivable	\$ (2,954,474)	\$ (913,921)
(Increase) decrease in accounts payable	1,403,577	5,243,171
(Increase) decrease in deferred revenue	371,838	294,785
Total adjustments	\$ (1,179,059)	\$ 4,624,035
Net cash from (used for) operating activities	\$ 8,427,845	\$ 19,739,834

LOCAL EDUCATION PLAN

Required Supplementary Information — Active Employees

The table below illustrates how the local education group insurance fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the local education group insurance fund as of the end of each of the last ten years. The rows of the table are defined as follows. (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year); some of these amounts are unavailable. (4) This section shows the cumulative net amounts paid as of the end of successive years for each policy year; some of these amounts are unavailable. (5) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years; some of these amounts are unavailable. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive fiscal and policy years. Beginning with fiscal year 2007, the plan is reported in accordance with the Governmental Accounting Standards Board's Statement No. 43. Therefore, for accounting and financial reporting purposes, the table below only includes active employees of the local education plan; retirees of the plan are no longer included in the 2007 column disclosure below.

Ten-Year Claims Development Information (expressed in thousands)

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
(1)	Required contribution and										
	investment revenue earned										
	(fiscal year)	109,968	123,419	126,918	166,476	203,669	250,090	287,814	323,053	359,963	356,328
(2)	Unallocated expenses										
	(fiscal year)	5,193	6,685	13,261	15,961	19,380	21,271	23,168	23,771	21,584	17,152
(3)	Estimated claims and expenses,										
	end of policy year, net incurred	*	*	141,005	185,219	210,650	248,618	259,711	293,840	320,702	*
(4)	Net paid (cumulative) as of:										
	End of policy year	*	*	124,084	162,993	189,585	223,756	263,345	268,863	295,687	*
	One year later	*	*	139,458	182,699	211,337	247,014	263,694	296,441	*	
	Two years later	*	*	139,349	182,569	211,053	246,969	263,699	*		
	Three years later	*	*	139,340	182,461	211,041	246,917	*			
	Four years later	*	*	139,366	182,454	210,953	*				
	Five years later	*	*	139,320	182,446	*					
	Six years later	*	*	139,315	*						
	Seven years later	*	*	*							
	Eight years later	*	*								
	Nine years later	*									
(5)	Reestimated net incurred										
	claims and expenses:										
	End of policy year	*	*	141,005	185,219	210,650	248,618	259,711	293,840	320,702	*
	One year later	*	*	139,401	182,581	211,199	247,111	263,738	296,274	*	
	Two years later	*	*	139,357	182,441	211,044	246,949	263,670	*		
	Three years later	*	*	139,361	182,455	210,981	246,917	*			
	Four years later	*	*	139,365	182,449	210,953	*				
	Five years later	*	*	139,315	182,446	*					
	Six years later	*	*	139,313	*						
	Seven years later	*	*	*							
	Eight years later	*	*								
	Nine years later	*									
(6)	Increase (decrease) in estimated										
	net incurred claims and expenses										
	from end of policy year	*	*	(1,692)	(2,773)	303	(1,701)	3,959	2,434	0	*

Data not available

LOCAL GOVERNMENT PLAN

Comparative Statement of Net Assets

	30-JUN-07	30-JUN-06
Assets		
Cash	\$ 17,672,738	\$ 19,029,293
Insurance accounts receivable	_	415
Accounts receivable	1,182,213	578,720
Total assets	\$ 18,854,951	\$ 19,608,428
Liabilities		
Accrued liabilities	\$ 7,484,111	\$ 6,819,000
Accounts payable	6,440	16,307
Deferred revenue	299,203	249,087
Total liabilities	\$ 7,789,754	\$ 7,084,394
Net assets		
Unrestricted	\$ 11,065,197	\$ 12,524,034
Total net assets	\$ 11,065,197	\$ 12,524,034

Comparative Statement of Revenues, Expenses and Changes in Net Assets

	30-JUN-07	30-JUN-06
Operating revenues		
Premiums	\$ 91,409,949	\$ 96,109,973
Insurance forfeitures	2,009	834
Total operating revenues	\$ 91,411,958	\$ 96,110,807
Operating expenses		
Benefits/claims	\$ 92,310,188	\$ 89,517,673
Less: insurance recoveries	(1,874,689)	(1,492,076)
Administrative services	346,385	432,415
Contract services	3,048,826	4,605,442
Total operating expenses	\$ 93,830,710	\$ 93,063,454
Operating income	\$ (2,418,752)	\$ 3,047,353
Non-operating revenues	 	······································
Interest income	\$ 959,915	\$ 803,421
Total non-operating revenues	\$ 959,915	\$ 803,421
Change in net assets	\$ (1,458,837)	\$ 3,850,774
Net assets, July 1	12,524,034	8,673,260
Net assets, June 30	\$ 11,065,197	\$ 12,524,034

LOCAL GOVERNMENT PLAN

Comparative Statement of Cash Flows

	30-JUN-07	30-JUN-06
Cash flows from operating activities		
Receipts from customers and users	\$ 91,397,371	\$ 96,302,417
Payments to suppliers	(93,367,456)	(93,123,967)
Payments for interfund services used	(346,385)	(432,415)
Net cash from (used for) operating activities	\$ (2,316,470)	\$ 2,746,035
Cash flows from investing activities		
Interest received	\$ 959,915	\$ 803,421
Net cash from investing activities	\$ 959,915	\$ 803,421
Net increase (decrease) in cash and cash equivalents	\$ (1,356,555)	\$ 3,549,456
Cash and cash equivalents, July 1	19,029,293	15,479,837
Cash and cash equivalents, June 30	\$ 17,672,738	\$ 19,029,293
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (2,418,752)	\$ 3,047,353
Adjustments to reconcile operating income (loss) to net cash from operating activities		
(Increase) decrease in accounts receivable	\$ (603,078)	\$ (322,094)
Increase (decrease) in accounts payable	655,244	(29,843)
Increase (decrease) in deferred revenue	50,116	50,619
Total adjustments	\$ 102,282	\$ (301,318)
Net cash from (used for) operating activities	\$ (2,316,470)	\$ 2,746,035

LOCAL GOVERNMENT PLAN

Required Supplementary Information — Active Employees

The table below illustrates how the local government group insurance fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the local government group insurance fund as of the end of each of the last ten years. The rows of the table are defined as follows. (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year); some of these amounts are unavailable. (4) This section shows the cumulative net amounts paid as of the end of successive years for each policy year; some of these amounts are unavailable. (5) This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years; some of these

amounts are unavailable. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive fiscal and policy years. Beginning with fiscal year 2007, the plan is reported in accordance with the Governmental Accounting Standards Board's Statement No. 43. Therefore, for accounting and financial reporting purposes, the table below only includes active employees of the local government insurance plan; retirees of the plan are no longer included in the 2007 column disclosure below.

Ten-Year Claims Development Information (expressed in thousands)

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
(1)	Required contribution and										
	investment revenue earned										
	(fiscal year)	33,846	38,187	37,728	58,593	91,297	101,219	98,302	103,521	96,914	89,240
(2)	Unallocated expenses										
	(fiscal year)	1,335	1,732	4,251	6,315	9,396	8,576	7,194	6,651	5,038	3,395
(3)	Estimated claims and expenses,										
	end of policy year, net incurred	*	*	41,871	84,018	106,617	89,217	82,822	90,559	87,058	*
(4)	Net paid (cumulative) as of:										
	End of policy year	*	*	36,846	73,936	94,889	80,295	76,196	81,924	80,519	*
	One year later	*	*	41,796	83,286	104,893	87,967	82,622	90,552	*	
	Two years later	*	*	41,778	83,197	104,751	87,804	82,491	*		
	Three years later	*	*	41,778	83,167	104,718	87,805	*			
	Four years later	*	*	41,757	83,184	104,705	*				
	Five years later	*	*	41,757	83,184	*					
	Six years later	*	*	41,757	*						
	Seven years later	*	*	*							
	Eight years later	*	*								
	Nine years later	*									
(5)	Reestimated net incurred										
	claims and expenses:										
	End of policy year	*	*	41,871	84,018	106,617	89,217	82,822	90,559	87,058	*
	One year later	*	*	41,782	83,241	104,826	87,880	82,529	90,476	*	
	Two years later	*	*	41,778	83,183	104,729	87,792	82,485	*		
	Three years later	*	*	41,758	83,186	104,710	87,803	*			
	Four years later	*	*	41,757	83,185	104,705	*				
	Five years later	*	*	41,757	83,184	*					
	Six years later	*	*	41,756	*						
	Seven years later	*	*	*							
	Eight years later	*	*								
	Nine years later	*									
(6)	Increase (decrease) in estimated										
	net incurred claims and expenses										
	from end of policy year	*	*	(115)	(834)	(1,912)	(1,414)	(337)	(83)	0	*

* Data not available

MEDICARE SUPPLEMENT PROGRAM

Comparative Statement of Net Assets

	30-JUN-07	30-JUN-06
Assets		
Cash	\$ 24,197,682	\$ 24,964,145
Insurance accounts receivable	525	420
Accounts receivable	90	343,316
Total assets	\$ 24,198,297	\$ 25,307,881
Liabilities		
Accrued liabilities	\$ 2,832,180	\$ 4,791,367
Accounts payable	645	835
Deferred revenue	1,141,764	1,871,499
Total liabilities	\$ 3,974,589	\$ 6,663,701
Net assets		
Unrestricted	\$ 20,223,708	\$ 18,644,180
Total net assets	\$ 20,223,708	\$ 18,644,180

Comparative Statement of Revenues, Expenses and Changes in Net Assets

	30-JUN-07	30-JUN-06
Operating revenues		
Premiums	\$ 20,091,090	\$ 27,371,018
Total operating revenues	\$ 20,091,090	\$ 27,371,018
Operating expenses		
Benefits/claims	\$ 23,062,037	\$ 32,599,515
Less: insurance recoveries	(373,444)	(1,223,275)
Administrative services	617,642	337,783
Contract services	3,939,502	5,182,514
Total operating expenses	\$ 27,245,737	\$ 36,896,537
Operating income (loss)	\$ (7,154,647)	\$ (9,525,519)
Non-operating revenues		 ······································
Interest income	\$ 1,261,090	\$ 1,045,381
Total non-operating revenues	\$ 1,261,090	\$ 1,045,381
Income (loss) before transfers	\$ (5,893,557)	\$ (8,480,138)
Transfers from general fund	7,473,085	5,892,290
Change in net assets	\$ 1,579,528	\$ (2,587,848)
Net assets, July 1	18,644,180	21,232,028
Net assets, June 30	\$ 20,223,708	\$ 18,644,180

MEDICARE SUPPLEMENT PROGRAM

Comparative Statement of Cash Flows

	30-JUN-07	30-JUN-06
Cash flows from operating activities		
Receipts from customers and users	\$ 19,704,476	\$ 28,257,854
Payments to suppliers	(28,587,472)	(37,538,713)
Payments for interfund services used	 (617,642)	 (337,783)
Net cash from (used for) operating activities	\$ (9,500,638)	\$ (9,618,642)
Cash flows from noncapital financing activities		
Transfers in	\$ 7,473,085	\$ 5,892,290
Net cash from noncapital financing activities	\$ 7,473,085	\$ 5,892,290
Cash flows from investing activities		
Interest received	\$ 1,261,090	\$ 1,045,381
Net cash from investing activities	\$ 1,261,090	\$ 1,045,381
Net increase (decrease) in cash and cash equivalents	\$ (766,463)	\$ (2,680,971)
Cash and cash equivalents, July 1	24,964,145	27,645,116
Cash and cash equivalents, June 30	\$ 24,197,682	\$ 24,964,145
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income (loss)	\$ (7,154,647)	\$ (9,525,519)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
(Increase) decrease in accounts receivable	\$ 343,121	\$ (97,234)
(Increase) decrease in accounts payable	(1,959,377)	(979,960)
(Increase) decrease in deferred revenue	(729,735)	984,071
Total adjustments	\$ (2,345,991)	\$ (93,123)
Net cash from (used for) operating activities	\$ (9,500,638)	\$ (9,618,642)

